

**REPORT OF THE AUDIT OF THE
CARROLL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
CARROLL COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2003

The Auditor of Public Accounts has completed the Carroll County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$ 611,048 from the beginning of the year, resulting in a cash surplus of \$ 3,377,669 as of June 30, 2003.

Debt Obligations:

Total bonded debt principal as of June 30, 2003 was \$ 980,000. Future collections of \$ 1,192,555 are needed over the next 11 years to pay all bonded debt principal and interest.

Report Comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Deposits:

The fiscal court's deposits were not insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Harold Tomlinson, Carroll County Judge/Executive
Members of the Carroll County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity balances arising from cash transactions of Carroll County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances-governmental fund types; the statement of cash receipts, cash disbursements, and changes in cash balances-proprietary fund type; and the related statement of cash flows for the year then ended. These financial statements are the responsibility of the Carroll County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Carroll County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances as of June 30, 2003 of Carroll County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Harold Tomlinson, Carroll County Judge/Executive
Members of the Carroll County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 20, 2004 on our consideration of Carroll County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Carroll County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 20, 2004

CARROLL COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

Harold "Shorty" Tomlinson	County Judge/Executive
John Proctor	Magistrate
Dean Miller	Magistrate
Mark Bates	Magistrate

Other Elected Officials:

James Monk	County Attorney
Michael Humphrey	Jailer
Marketta Brock	County Clerk
Laman Stark	Circuit Court Clerk
Charles Maiden, Jr.	Sheriff
David Robertson	Property Valuation Administrator
James Dunn	Coroner

Appointed Personnel:

Debra Cayton	County Treasurer
Traci Courtney	Occupational Tax Collector
Nicki Beckham	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

CARROLL COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	Governmental Fund Type	Proprietary Fund Type	Totals (Memorandum Only)	
	General	Debt Service	Enterprise	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 3,285,366	\$ 56,696	\$ 33,461	\$ 3,375,523
Total Assets	\$ 3,285,366	\$ 56,696	\$ 33,461	\$ 3,375,523
<u>Other Resources</u>				
Amounts to be Provided				
In Future Years for:				
Bond Payments	\$	\$ 923,304	\$	\$ 923,304
Total Other Resources	\$ 0	\$ 923,304	\$ 0	\$ 923,304
Total Assets and Other Resources	\$ 3,285,366	\$ 980,000	\$ 33,461	\$ 4,298,827

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

	<u>Governmental Fund Type</u>		<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Bonds:				
Series 1994	\$	\$ 980,000	\$	\$ 980,000
Payroll Revolving Account	2,146			2,146
Total Liabilities	\$ 2,146	\$ 980,000	\$ 0	\$ 982,146
<u>Equity</u>				
Retained Earnings:				
Restricted	\$	\$	\$ 33,461	\$ 33,461
Fund Balances:				
Unreserved	3,283,220			3,283,220
Total Equity	\$ 3,283,220	\$ 0	\$ 33,461	\$ 3,316,681
Total Liabilities and Equity	<u>\$ 3,285,366</u>	<u>\$ 980,000</u>	<u>\$ 33,461</u>	<u>\$ 4,298,827</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPES

CARROLL COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPES

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,793,699	\$ 603,725	\$ 1,191,493	\$ 46,586
Other Financing Sources:				
Transfers In		282,293		236,500
Kentucky Advance Revenue Program	997,400			
Total Cash Receipts	<u>\$ 3,791,099</u>	<u>\$ 886,018</u>	<u>\$ 1,191,493</u>	<u>\$ 283,086</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,509,623	\$ 770,169	\$ 1,019,714	\$ 75,668
Other Financing Uses:				
Schedule of Other Expenditures	911			
Transfers Out	983,220			
Bonds:				
Principal Paid				
Interest Paid				
Kentucky Advance Revenue Program Repaid	997,400			
Total Cash Disbursements	<u>\$ 3,491,154</u>	<u>\$ 770,169</u>	<u>\$ 1,019,714</u>	<u>\$ 75,668</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 299,945	\$ 115,849	\$ 171,779	\$ 207,418
Cash Balance - July 1, 2002	1,486,546	194,147	435,180	54,193
Cash Balance - June 30, 2003	<u>\$ 1,786,491</u>	<u>\$ 309,996</u>	<u>\$ 606,959</u>	<u>\$ 261,611</u>

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPES
For The Fiscal Year Ended June 30, 2003
(Continued)

General Fund Type					
State Grants Fund	Ambulance Fund	Solid Waste Fund	Parks and Recreation Fund	911 Fund	911 Wireless Fund
\$ 50,355	\$ 373,588	\$ 15,838	\$ 97,210	\$ 75,752	\$ 45,503
	312,983	81,286	109,158		
<u>\$ 50,355</u>	<u>\$ 686,571</u>	<u>\$ 97,124</u>	<u>\$ 206,368</u>	<u>\$ 75,752</u>	<u>\$ 45,503</u>
\$ 240,441	\$ 597,930	\$ 64,025	\$ 144,140	\$ 77,641	\$ 42,250
			39,000		
<u>\$ 240,441</u>	<u>\$ 597,930</u>	<u>\$ 64,025</u>	<u>\$ 183,140</u>	<u>\$ 77,641</u>	<u>\$ 42,250</u>
\$ (190,086)	\$ 88,641	\$ 33,099	\$ 23,228	\$ (1,889)	\$ 3,253
222,956	29,709	1,676	16,317	57,063	38,488
<u>\$ 32,870</u>	<u>\$ 118,350</u>	<u>\$ 34,775</u>	<u>\$ 39,545</u>	<u>\$ 55,174</u>	<u>\$ 41,741</u>

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPES
 For The Fiscal Year Ended June 30, 2003
 (Continued)

	<u>Debt Service Fund Type</u>	
	Public Properties Corporation	Totals (Memorandum Only)
<u>Cash Receipts</u>		
Schedule of Operating Revenue	\$ 125,064	\$ 5,418,813
Other Financing Sources:		
Transfers In		1,022,220
Kentucky Advance Revenue Program		997,400
Total Cash Receipts	<u>\$ 125,064</u>	<u>\$ 7,438,433</u>
<u>Cash Disbursements</u>		
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$ 4,541,601
Other Financing Uses:		
Schedule of Other Expenditures	153,594	154,505
Transfers Out		1,022,220
Bonds:		
Principal Paid	90,000	90,000
Interest Paid	45,768	45,768
Kentucky Advance Revenue Program Repaid		997,400
Total Cash Disbursements	<u>\$ 289,362</u>	<u>\$ 6,851,494</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (164,298)	\$ 586,939
Cash Balance - July 1, 2002	<u>220,994</u>	<u>2,757,269</u>
Cash Balance - June 30, 2003	<u>\$ 56,696</u>	<u>\$ 3,344,208</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE

CARROLL COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund Type</u>
<u>Cash Receipts</u>	<u>Jail Canteen Fund</u>
Receipts - Jail Canteen	\$ 253,050
Total Cash Receipts	\$ 253,050
 <u>Cash Disbursements</u>	
Expenditures - Jail Canteen	\$ 228,941
Total Cash Disbursements	\$ 228,941
Excess of Cash Receipts Over Cash Disbursements	\$ 24,109
Cash Balance - July 1, 2002	9,352
Cash Balance - June 30, 2003	\$ 33,461

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

CARROLL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	Enterprise Fund Type
	<u>Jail Canteen Fund</u>
Cash Flows from Operating Activities:	
Operating Income	\$ 24,109
Net Cash Provided by Operating Activities	\$ 24,109
Net Increase in Cash and Cash Equivalents	\$ 24,109
Cash and Cash Equivalents - July 1, 2002	9,352
Cash and Cash Equivalents - July 1, 2003	<u>\$ 33,461</u>

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Carroll County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Carroll County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Carroll County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Carroll County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Carroll County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), State Grants Fund, Ambulance Fund, Solid Waste Fund, Parks and Recreation Fund, 911 Fund, and 911 Wireless Fund.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the Administrative Office of the Courts in the amount of the debt service requirements for the year.

3) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Carroll County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Carroll County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

CARROLL COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2003
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Debt Service Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.
 Note 2. Employee Retirement System (Continued)

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of August 31, 2002, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$19,719 of public funds uninsured and unsecured.

	<u>Bank Balance</u>
Insured by FDIC	\$ 100,000
Collateralized with securities held by pledging depository institution in the county's name	504,281
Uncollateralized and uninsured	<u>19,719</u>
Total	<u><u>\$ 624,000</u></u>

Note 4. Long-Term Debt

Bonds outstanding of the Carroll County Public Properties Corporation Fund are:

Fiscal Year Ended		
June 30	Interest	Principal
2004	\$ 30,330	\$ 80,000
2005	28,970	80,000
2006	27,370	80,000
2007	25,450	80,000
2008	23,250	85,000
2009-2014	<u>77,185</u>	<u>575,000</u>
Totals	<u><u>\$ 212,555</u></u>	<u><u>\$ 980,000</u></u>

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

CARROLL COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 2,360,653	\$ 2,793,699	\$ 433,046
Road and Bridge Fund	532,947	603,725	70,778
Jail Fund	1,247,466	1,191,493	(55,973)
Local Government Economic Assistance Fund	52,300	46,586	(5,714)
State Grants Fund	38,763	50,355	11,592
Ambulance Fund	320,800	373,588	52,788
Solid Waste Fund	500	15,838	15,338
Parks and Recreation Fund	90,115	97,210	7,095
911 Fund	72,650	75,752	3,102
911 Wireless Fund	37,250	45,503	8,253
Totals	<u>\$ 4,753,444</u>	<u>\$ 5,293,749</u>	<u>\$ 540,305</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 4,753,444
Add: Budgeted Prior Year Surplus	<u>1,882,935</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 6,636,379</u>

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SCHEDULE OF OPERATING REVENUE

CARROLL COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

GOVERNMENTAL FUND TYPE

<u>Revenue Categories</u>	<u>General Fund Type</u>	<u>Debt Service Fund Type</u>	<u>Totals (Memorandum Only)</u>
Taxes	\$ 2,593,564	\$	\$ 2,593,564
Excess Fees	39,350		39,350
Intergovernmental Revenues	1,665,894		1,665,894
Charges for Services	557,219		557,219
Miscellaneous Revenues	387,360	123,714	511,074
Interest Earned	50,362	1,350	51,712
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Total Operating Revenue	<u>\$ 5,293,749</u>	<u>\$ 125,064</u>	<u>\$ 5,418,813</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

CARROLL COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 630,527	\$ 540,791	\$ 89,736
Protection to Persons and Property	1,975,973	1,769,103	206,870
General Health and Sanitation	410,083	365,369	44,714
Social Services	69,951	53,115	16,836
Recreation and Culture	653,386	378,802	274,584
Roads	758,147	674,589	83,558
Bus Services	6,000	6,000	
Administration	2,132,312	753,832	1,378,480
Total Operating Budget - General Fund Type	\$ 6,636,379	\$ 4,541,601	\$ 2,094,778
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue Program - Principal	997,400	997,400	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 7,633,779</u>	<u>\$ 5,539,001</u>	<u>\$ 2,094,778</u>

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SCHEDULE OF OTHER EXPENDITURES

CARROLL COUNTY
SCHEDULE OF OTHER EXPENDITURES

For The Fiscal Year Ended June 30, 2003

<u>Expenditure Items</u>	<u>General Fund</u>	<u>Public Properties Corporation</u>
Rescue Squad Expenses	\$ 911	\$
Bond Refinancing Fees		153,594
Total	<u>\$ 911</u>	<u>\$ 153,594</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold Tomlinson, Carroll County Judge/Executive
Members of the Carroll County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Carroll County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated May 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Carroll County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carroll County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 20, 2004

COMMENT AND RECOMMENDATION

CARROLL COUNTY
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2003

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On August 31, 2002, \$19,719 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Judge/Executive Harold Tomlinson's Response:

Treasurer has instructed bank to provide more pledges.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

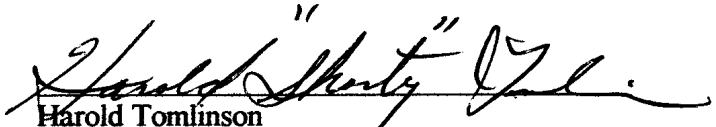
CARROLL COUNTY FISCAL COURT

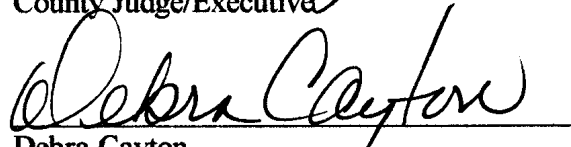
For The Fiscal Year Ended
June 30, 2003

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CARROLL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2003

The Carroll County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Harold Tomlinson
County Judge/Executive


Debra Cayton
County Treasurer

